GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA

UNSTARRED QUESTION NO:1415
ANSWERED ON:02.08.2005
TEA PRICE IN GUWAHATI TEA AUCTION CENTRE
Sarma Dr. Arun Kumar

Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a) the factors responsible for lowering of the tea price in Guwahati Tea Auction centre when market rate of tea remained at the same level;

(b) the action taken by the Government to control the Auction Market to ensure reasonable price of processed tea vis-Ã -vis green leaf;

(c) the likely impact of import of low quality tea on the Indian tea, domestic price as well as on the market value of Indian Tea abroad; and

(d) the steps taken by the Government in this regard?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE AND INDUSTRY (SHRI E.V.K.S. ELANGOVAN)

(a): Domestic prices of tea have a tendency to move more or less in tandem with the international prices. Decline in tea prices in Guwahati auction and also in other tea auction centres in India during the last few months is mainly due to higher production of tea compared to last year leading to increased offerings at the auctions, lower demand for tea for export as compared to last year etc. While there is fluctuation in the auction prices, the retail prices of tea in the market do not show that kind of fluctuation mainly because of the fact that teas which are being sold at retail level are in the blended form and such blending is made by taking teas of similar grades of varied prices.

(b): A study of the primary marketing system for tea was conducted through M/s. A.F.Ferguson & Co. which included study of any existing distortions in the market preventing a transparent and fair mechanism of price discovery. Based on their recommendations, the Government had notified the Tea Marketing (Control) Order 2003 on 1st January 2003. In order to ensure a fair price discovery mechanism and also to reduce transaction time and cost of sale of tea through auction, Tea Board, had also issued directives in January 2003 on a number of auction rules for implementation. The green tea leaf is not being sold through the auction system and only the processed teas in bulk packages are being sold through the public tea auction system. Tea Board is implementing a price sharing formula between the small tea growers and manufacturers of tea with effect from 1st April 2004 in order to ensure that the small tea growers get a reasonable share of the price obtained by the manufacturer for made tea.

(c) & (d): Tea is imported into India mainly for the purpose of re-export after value addition. Such imports for re-export increases the price competitiveness of Indian teas in the international market besides catering to the requirements of international buyers. In order to maintain quality and retain the brand equity of Indian teas, the Government has issued a new Tea (Distribution and Export) Control Order, 2005 under the provisions of the Tea Act, 1953 on 01.04.2005 in supersession of the Tea (Distribution and Export) Control Order, 1957. The new Order prescribes strict norms for tea and stipulates that all teas, whether imported or exported, would be required to conform to the specifications cited in the new Order.